

CHIEF FINANCIAL OFFICER'S REPORT



LEON CROUSE
CHIEF FINANCIAL OFFICER

INTRODUCTION

Due to Remgro being an investment holding company, traditional measurements of performance, like sales or gross profit, are not meaningful criteria for evaluating the Group's performance. However, management uses "headline earnings", "intrinsic net asset value" and "cash at the centre" to evaluate the performance of the Group on a continuous basis and hence these concepts are used throughout the Integrated Annual Report to provide shareholders with a better understanding of our results.

RESULTS

HEADLINE EARNINGS

Headline earnings for the year to 30 June 2015 amounted to R7 996 million compared to R6 635 million for the year to 30 June 2014, representing an increase of 20.5%, whereas headline earnings per share increased by 20.3% from 1 292.4 cents to 1 555.0 cents, as presented in the table on page 26.

COMMENTARY ON REPORTING PLATFORMS' PERFORMANCE

FOOD, LIQUOR AND HOME CARE

The contribution from food, liquor and home care to Remgro's headline earnings amounted to R1 531 million (2014: R795 million), representing an increase of 92.6%. This increase is mainly the result of a higher contribution from RCL Foods, which contributed R755 million to headline earnings (2014: R239 million headline loss). It should however be noted that the results of RCL Foods for the year under review now includes the results of TSB, while TSB was still reported separately for the first six months in the comparative year. TSB's headline earnings for the year under review amounted to R281 million (2014: R218 million). During the year under review RCL Foods' results were positively affected by Rainbow's new business model whereby reliance on pure commodity lines was reduced, as well as the restructuring of its debt during the previous financial year whereby the Euro bonds were replaced by a rand based debt package which eliminated the unfavourable foreign exchange adjustments. Unilever's contribution to Remgro's headline earnings decreased by 4.6% to R331 million (2014: R347 million). This decrease is mainly the result of increased brand and marketing investments. Distell's contribution to headline earnings, which includes the investment in Capevin Holdings, amounted to R445 million (2014: R495 million). This decrease is mainly the result of a favourable remeasurement of R159 million to the contingent consideration payable on the acquisition of Burn Stewart Distillers Limited accounted for in the comparative year. Excluding this remeasurement, Distell's contribution to Remgro's headline earnings would have increased by 0.7% from R442 million. It should be noted that Remgro's effective interest in Distell decreased from 33.4% to 31.0% due to Distell issuing 15.0 million ordinary shares to BEE shareholders during January 2014.

Headline earnings increased by 20.5%

BANKING

The headline earnings contribution from the banking division amounted to R2 845 million (2014: R2 542 million), representing an increase of 11.9%. Both FirstRand and RMBH reported good headline earnings growth of 13.2% and 11.8% respectively, mainly due to good growth in both net interest income and non-interest

revenue from FNB, RMB and WesBank, partly offset by a slight increase in year-on-year credit impairment charges.

HEALTHCARE

Mediclinic's contribution to Remgro's headline earnings amounted to R1 734 million (2014: R1 489 million). It should be noted that Mediclinic's results for the year under review include positive Swiss prior year tax adjustments amounting to R712 million, while the comparative period also included a once-off past service cost credit and Swiss tax adjustments totalling R303 million. Excluding these once-off items Mediclinic's contribution to Remgro's headline earnings would have increased by 5.9% from R1 354 million. This increase is mainly due to solid performances by all three operating platforms, partly offset by the dilution of Remgro's effective interest in Mediclinic from 44.3% to 42.1% due to the bookbuild exercise undertaken by Mediclinic in June 2014.

SALIENT FEATURES

	Year ended 30 June 2015	Year ended 30 June 2014	% change
Headline earnings (R million)	7 996	6 635	20.5
– per share (cents)	1 555.0	1 292.4	20.3
Earnings (R million)	8 715	6 917	26.0
– per share (cents)	1 694.9	1 347.3	25.8
Dividends per share (cents)			
Ordinary	428.00	389.00	10.0
– Interim	169.00	156.00	8.3
– Final	259.00	233.00	11.2
Intrinsic net asset value per share (Rand)	288.89	245.96	17.5

CONTRIBUTION TO HEADLINE EARNINGS BY REPORTING PLATFORM

R million	Year ended 30 June 2015	% change	Year ended 30 June 2014
Food, liquor and home care	1 531	92.6	795
Banking	2 845	11.9	2 542
Healthcare	1 734	16.5	1 489
Insurance	986	13.2	871
Industrial	381	(45.6)	700
Infrastructure	392	136.1	166
Media and sport	(16)	(125.0)	64
Other investments	84	42.4	59
Central treasury	111	33.7	83
Other net corporate costs	(52)	61.2	(134)
Headline earnings	7 996	20.5	6 635



Refer to the composition of headline earnings on page 31 for further information.

INSURANCE

RMI Holdings' contribution to headline earnings increased by 13.2% to R986 million. RMI Holdings reported an increase of 4.6% in normalised earnings, with Discovery and MMI Holdings achieving good earnings growth of 16.9% and 6.3% respectively, partly offset by a weaker performance by OUTsurance mainly due to an increase in claims resulting from severe storms in Australia.

INDUSTRIAL

Total South Africa's contribution to Remgro's headline earnings amounted to R133 million (2014: R233 million). This decrease is mainly the result of substantial unfavourable stock revaluations in the year under review compared to favourable stock revaluations in the comparative year. These revaluations are the result of the volatility in the Brent Crude price and the rand exchange rate. Remgro's share of the results of KTH amounted to a loss of R108 million (2014: profit of R71 million). During the year under review KTH's results were negatively impacted by unfavourable fair value adjustments relating to its investment in Exxaro

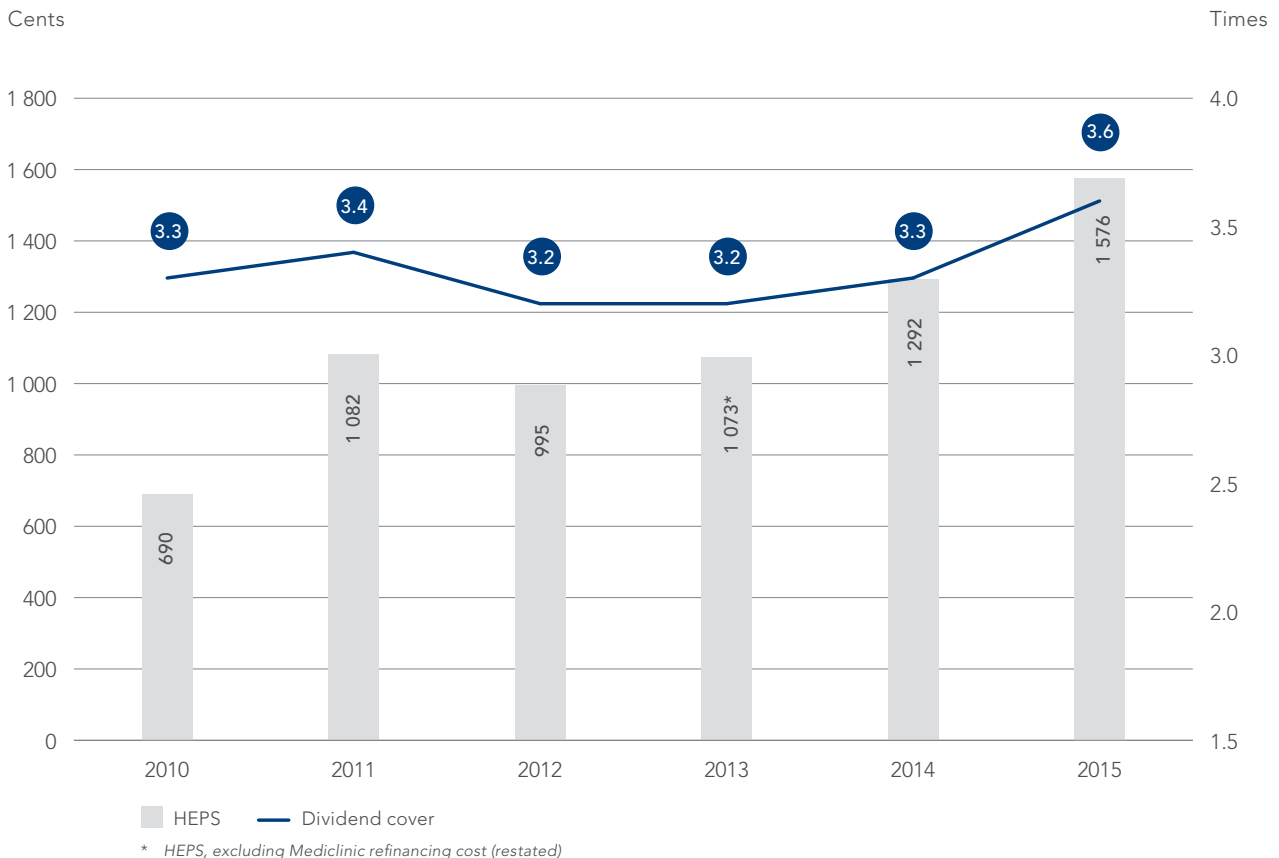
Resources Limited. Air Products' and Wispeco's contribution to headline earnings amounted to R222 million and R104 million respectively (2014: R217 million and R107 million), while PGSI contributed R30 million to Remgro's headline earnings (2014: R72 million).

INFRASTRUCTURE

Grindrod's contribution to Remgro's headline earnings amounted to R135 million (2014: R108 million). This increase is mainly the result of the closure of Grindrod's commodity trading division which produced poor results in the comparative year. It should also be noted that Remgro's effective interest in Grindrod diluted from 25.0% on 31 December 2013 to 22.6% due to the issue by Grindrod of 64 million shares to a consortium of strategic black investors during June 2014. For the year under review the CIV group contributed R51 million to headline earnings (2014: R58 million). SEACOM reported a headline earnings of R96 million for the year under review (2014: headline loss of R26 million), with Remgro's share of this earnings amounting to R24 million (2014: loss of R6 million).

DIVIDEND COVER

HEPS: HEADLINE EARNINGS PER SHARE



During May 2015 the Pembani Remgro Infrastructure Fund (PRIF) had its first close, which resulted in Remgro receiving an income distribution of R170 million from PRIF (mainly resulting from foreign exchange gains realised in the PRIF structure), which together with interest income and related tax charges, contributed R177 million to Remgro's headline earnings.

MEDIA AND SPORT

Media and sport interests primarily consist of the interests in Sabido and various sport interests, including interests in the rugby franchises of Premier Team Holdings (Saracens), the Blue Bulls and Western Province Rugby, as well as the Stellenbosch Academy of Sport. Sabido's contribution to Remgro's headline earnings amounted to R69 million (2014: R131 million). This decrease is mainly due to significant new business development costs incurred over the last two years (R245 million compared to R125 million in the comparative year). The sport interests' contribution to headline earnings amounted to a loss of R65 million (2014: R71 million loss).

OTHER INVESTMENTS

The contribution from other investments to headline earnings amounted to R84 million (2014: R59 million), of which Business Partners' contribution was R47 million (2014: R33 million).

CENTRAL TREASURY AND OTHER NET CORPORATE COSTS

The contribution from the central treasury division amounted to R111 million (2014: R83 million). This increase is mainly the result of higher average cash balances, as well as higher interest rates than in the comparative year. Other net corporate costs amounted to R52 million (2014: R134 million). This decrease is mainly the result of a net after-tax facilitation and underwriting fee of R99 million received from Mediclinic on the Spire transaction and resultant rights issue, partly offset by transaction and funding costs of R38 million also relating to the Spire transaction, which will be recovered from Mediclinic in the next financial year.

TOTAL EARNINGS

Total earnings increased by 26.0% to R8 715 million (2014: R6 917 million). This increase is mainly the result of the headline earnings growth and a profit of R955 million realised on the dilution of Remgro's interest in Mediclinic during the bookbuild in June 2014, partly offset by the loss of R223 million realised on the sale of the investment in Lashou.

CASH AT THE CENTRE AND FOREIGN EXCHANGE RATES

On 30 June 2015 Remgro's cash at the centre amounted to R4 019 million (2014: R3 264 million), of which 36% was invested

offshore (2014: 32%). The cash is held in different currencies of which approximately 65% was held in SA rand and 35% in USA dollar.

Remgro's offshore cash is held in USA dollar. During the year \$30 million was transferred from local cash to the offshore cash structure at a SA rand/USD exchange rate of R12.05. Foreign exchange profits amounting to R120 million (2014: R100 million) were accounted for during the year under review, mainly as a result of the weakening of the SA rand against the USA dollar from R10.63 = \$1.00 at 30 June 2014, to R12.14 = \$1.00 at 30 June 2015. For accounting purposes these exchange movements are accounted for directly in equity.

As at 30 June 2015 the majority of Remgro's remaining offshore cash was already committed towards the expansion of existing offshore investments.

SPIRE TRANSACTION AND EXTERNAL FUNDING

As part of the Spire acquisition, Remgro obtained a bridge funding facility of R7.5 billion from Rand Merchant Bank in order to partly fund the transaction. The term of the facility is six months and the full amount of the facility was drawn on 13 July 2015 when payment for the Spire investment had to be effected. The bridge facility bears interest at 3 month Jibar plus a 90 basis points margin.

On 26 August 2015, Remgro repaid R4.0 billion of the bridge facility after Mediclinic successfully completed its rights issue and acquired Remgro's interest in Spire for an amount of R8.6 billion, which is equal to the purchase price, transaction and funding costs. Alternatives are currently being investigated in order to either repay the bridge facility or replace it with a more permanent funding structure.

DIVIDENDS

The final dividend per share was determined at 259 cents (2014: 233 cents). Total ordinary dividends per share in respect of the year to 30 June 2015 therefore amounted to 428 cents (2014: 389 cents).

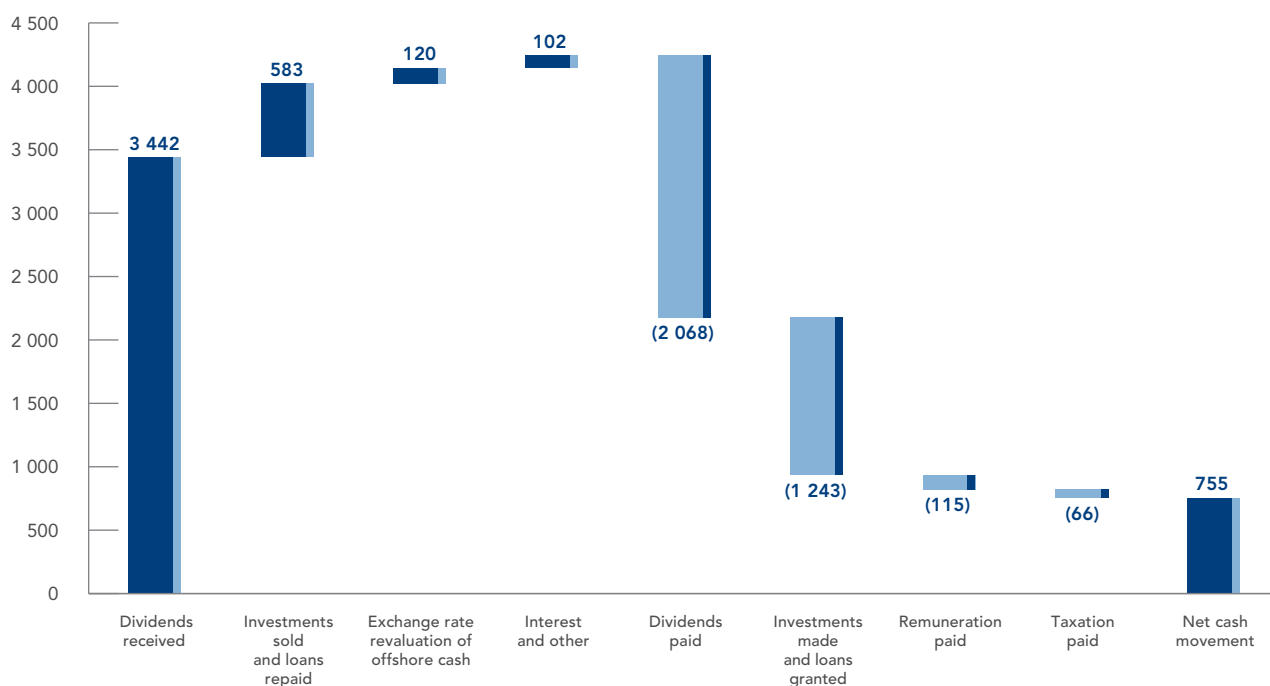
The dividend is covered 3.6 times by headline earnings against 3.3 times the previous year.

STC AND DIVIDEND TAX

With effect from 1 April 2012, STC was replaced with a dividend tax. In terms of the new legislation, companies were allowed to apply their available STC credits against future dividends declared for a period of three years from the effective date of dividend tax. As at 30 June 2014 Remgro's available STC credits amounted to R1 824 million of which R1 204 million was utilised for the final dividend of 233 cents per share declared on 17 September 2014, while the balance of the available STC

	30 June 2015			30 June 2014 R million
	Currency value million	Exchange rate	R million	
USA dollar	115.9	12.1431	1 407	976
Euro	–	13.5242	–	56
Swiss franc	0.3	12.9895	4	2
SA rand			2 608	2 230
			4 019	3 264

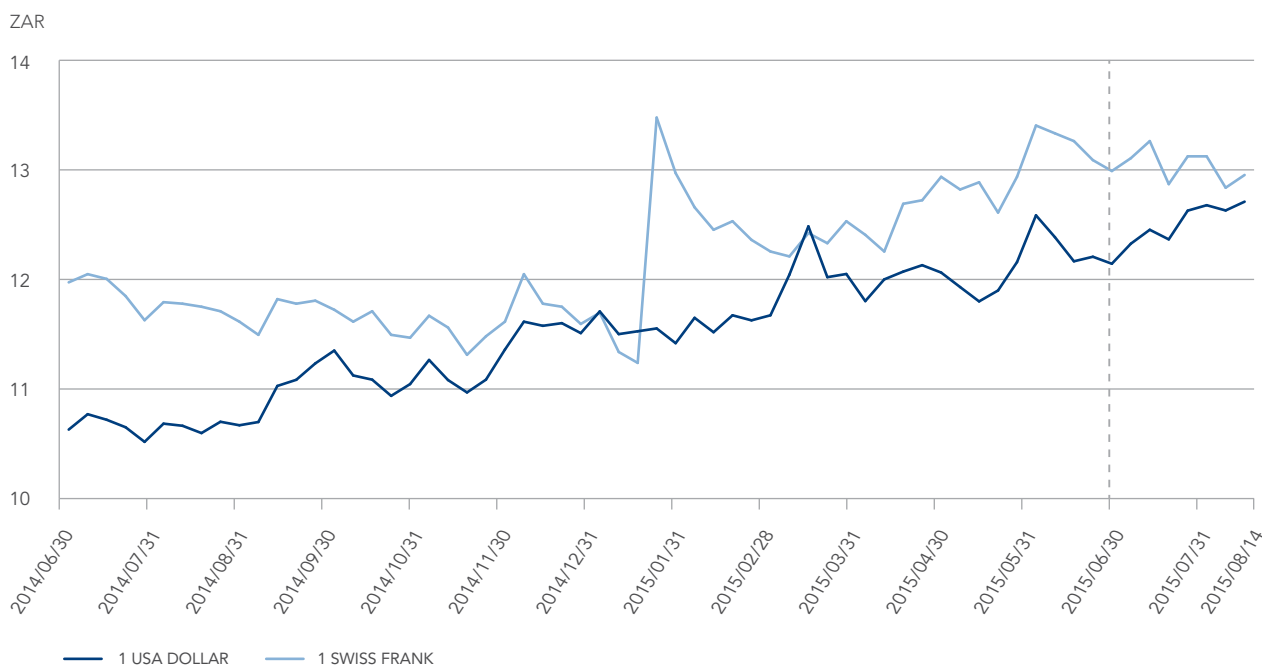
CASH MOVEMENT AT THE HOLDING COMPANY (CASH AT THE CENTRE) (R MILLION)



Closing exchange rates	30 June 2015	30 June 2014	Movement %
USD/ZAR	12.1431	10.6294	(14.2)
EUR/ZAR	13.5242	14.5531	7.1
GBP/ZAR	19.0563	18.1738	(4.9)
CHF/ZAR	12.9895	11.9733	(8.5)

Average exchange rates	Year ended 30 June 2015	Year ended 30 June 2014	Movement %
USD/ZAR	11.4436	10.3746	(10.3)
EUR/ZAR	13.7119	14.0811	2.6
GBP/ZAR	17.9959	16.8901	(6.5)
CHF/ZAR	12.1326	11.4847	(5.6)

ZAR VS FOREIGN CURRENCIES REMGRO HOLDS



credits were utilised for the 2015 interim dividend of 169 cents per share declared on 28 February 2015.

All future dividends, including Remgro's final dividend for the 2015 financial year of 259 cents per share, will be subject to dividend withholding tax.

INTRINSIC NET ASSET VALUE

Remgro's intrinsic net asset value per share at 30 June 2015 was R288.89 compared to R245.96 on 30 June 2014. Refer to the Chief Executive Officer's Report on page 20 for a detailed discussion regarding Remgro's intrinsic net asset value and its relative performance with certain selected JSE indices.

ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies have been consistently applied to both years presented, with the exception of the implementation of IFRIC 21: Levies and the amendments to IAS 19: Employee Benefits, IAS 32: Financial Instruments – Presentation, IAS 36: Impairment of Assets and IAS 39: Financial Instruments – Novation of derivatives and continuation of hedge accounting. The adoption of these interpretations and amendments had no impact on the results of either the current or prior year.

RISK MANAGEMENT

The Company has implemented a comprehensive Risk Management Policy that is based on the principles of the international COSO (Committee of Sponsoring Organisations of the Treadway Commission) Enterprise Risk Management – Integrated Framework and complies with the recommendations of King III. A comprehensive risk management structure has also been implemented to ensure the effective and efficient management of risk within the Group.

Remgro's risk management process is summarised in the Risk Management Report on page 68, as well as in note 30 to the comprehensive annual financial statements on page 67, that is published on the Company's website at www.remgro.com.

Leon Crouse
Chief Financial Officer

Stellenbosch
17 September 2015



COMPOSITION OF HEADLINE EARNINGS

R million	Year ended 30 June 2015	% change	Year ended 30 June 2014
Food, liquor and home care			
Unilever South Africa	331	(4.6)	347
Distell ⁽¹⁾	445	(10.1)	495
RCL Foods ⁽²⁾	755	415.9	(239)
TSB ⁽²⁾	–	(100.0)	192
Banking			
RMBH	2 005	11.8	1 793
FirstRand	840	12.1	749
Healthcare			
Mediclinic	1 734	16.5	1 489
Insurance			
RMI Holdings	986	13.2	871
Industrial			
Air Products South Africa	222	2.3	217
KTH	(108)	(252.1)	71
Total South Africa	133	(42.9)	233
PGSI	30	(58.3)	72
Wispeco	104	(2.8)	107
Infrastructure			
Grindrod	135	25.0	108
CIV group	51	(12.1)	58
SEACOM	24	500.0	(6)
Other infrastructure interests	182	2 933.3	6
Media and sport			
Sabido	69	(47.3)	131
Other media and sport interests	(85)	(26.9)	(67)
Other investments	84	42.4	59
Central treasury	111	33.7	83
Other net corporate costs	(52)	61.2	(134)
Headline earnings	7 996	20.5	6 635
Weighted number of shares (million)	514.2	0.2	513.4
Headline earnings per share (cents)	1 555.0	20.3	1 292.4

⁽¹⁾ Includes the investment in Capevin Holdings Limited.

⁽²⁾ Remgro disposed of its 100% interest in TSB to RCL Foods during January 2014. Since 1 January 2014 TSB's results were accounted for by RCL Foods.